Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Sponsored by Ontario Chicken Industry Advisory Committee

February 10, 2015
Northern Ontario Stakeholders
at Seven Locations in Northern Ontario

Bryan Boyle & Associates
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Executive Summary

On February 10, 2015 interested stakeholders met at seven locations across Northern Ontario. Each location was connected electronically and by an audio conference call for a highly interactive workshop facilitated by Bryan Boyle. Each site was hosted by a facilitator from the Ontario Ministry of Agriculture and Food. The locations included Rainy River, Dryden, Thunder Bay, Bruce Mines, Gore Bay, Verner and Earlton. The purpose of the session was to solicit input, feedback and advice on how future growth should be distributed to farmers and processors (farmer – member allotment and processor supply distribution) so as to position the chicken industry for economic growth and success.

Participants were asked, "What are the first one or two words that come to your mind when you hear the allocation of growth in the chicken market in Ontario". Their thoughts about farmer-member allocation were focused around general perceptions, fairness and equity, expansion, production considerations and concerns. Their thoughts about processor-supply allocation could be summarized as general perceptions, relation to the market and concerns. Although there was a wide range of individual perspectives, the participants' perspectives about both farmer-member allocation and processor supply allocation trended to be quite negative, reflecting their concerns with the current system.

When asked to identify their desired outcomes for the allocation of growth in the chicken market in Ontario to be successful and effective, the following emerged: production features, market realities, stakeholder relationships and sustained growth. Participants identified some strengths or positives and negatives or challenges that exist for the allocation of growth in the chicken market in Ontario in both the farmer-member and the processor supply allocations. They identified these strengths and challenges in the areas of system characteristics, production, marketing and stakeholder relationships.

Participants reflected on the implications or consequences, if any, of maintaining current policies for the allocation of future growth to producers and processors (farmer – member allotment and processor supply distribution) in the Ontario chicken market. Several implications were identified in both components of the allocation system.

The participants present prioritized the objectives that had been created by the Ontario Chicken Industry Advisory Committee to assure strong and vibrant allocation of growth in the chicken market in Ontario. Objectives listed from their highest to lowest priority are:
1st: Create Value Serving Growing and Emerging Markets
2nd: Evolve the Allocation System of Farmers and Processors
3rd: Encourage Innovation, New Business-Building Ideas
4th: Encourage Quality, Efficiency and Value Creation
5th: Serve Existing Markets
6th: Develop a Predictable and Stable System

Participants suggested actions that will help the industry move towards strong and effective allocation of growth to farmers and processors in the chicken market in Ontario. These actions are designed to build on the strengths, reduce or eliminate the challenges keeping the desired outcomes in mind.

Participants were encouraged to identify actions that will have a positive impact on the allocation of future growth in the chicken industry. They spent some time diverging or sharing a range of ideas for action and then some time converging or focusing in on which of those actions they felt would be most effective.

Their suggested actions were sorted by “To Whom” the market growth should be allocated. Any of the supporting information (Why? How? When? Objectives?) that participants provided was also noted.

With regard to farmer-member allocation of growth, the overwhelming priority of the participants was to allocate the growth to small flocks. Two other target groups generated strong levels of support. Those were Northern Ontario farmers and farmers based on the specific area in which they produced. Three other groups were noted as lower priorities when allocating growth. In order, they include new entrants, cooperatives and First Nations.

With regard to processor supply allocation of growth, too sectors of the processing industry were identified by the participants as strong priorities. These included Northern Ontario processors and non-quota or Class “B” processors. Other target groups generated substantially less support. In order, they include new processors, mobile processors, all existing Class “A” processors, producers processing on-farm, cooperatives and the First Nations.

The workshop was a productive event, where the participants were very engaged. Through their valued input, participants took an important step in their quest for the effective allocation of growth to farmers and processors in the chicken market in Ontario.

Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Locations: Rainy River, Dryden, Thunder Bay, Bruce Mines, Gore Bay, Verner, Earlton

February 10, 2015   Facilitated by Bryan Boyle

Purpose of the Session

To solicit input, feedback and advice on how future growth should be distributed to farmers and processors (farmer – member allotment and processor supply distribution) so as to position the chicken industry for economic growth and success

Throughout this report whenever two or more participants offered the same or very similar comments they are noted with an "x" and the number, i.e. (x3). There are two different approaches for the allotment of growth in the chicken market. One relates to the farmer-member and one relates to the primary processor. Throughout this report, when participants made comments specifically about farmer-member allocation they are noted with an "F". Comments about processor supply distribution are noted with a "P". General comments that apply to both are noted with an "FP".

In this report, any terms relating quota to processors, e.g. "plant quota", "supply quota" or "processor's quota" expressed by participants are a reference to the official terms of "assurance of supply" or "assured supply".

Current Perceptions

Participants were asked to share the first one or two words that come to mind when they hear "Allocation of growth in the chicken market in Ontario".

1) Relating to Farmer-Member Allocation (F):

General Perceptions

- New opportunities for change (x4)
- Potential for innovation (x2)
- High quota threshold should be lower (x2)
- Potential
- Change
- Hope
- Education
- Development
- Fewer PETA types in the North
- Current system does not address local food issue
- Consumer demand supports Northern Ontario production
- Confusing industry

Fairness and Equity

- Prejudicial
- Protectionist
- Exclusionary
- Inequitable
- Restrictive
- Discriminating
- Uneven distribution
- Protects existing operations
- Favours larger producers
- Southern Ontario chicken farmers getting larger
- Northern Ontario is currently not included
- Currently quota in the North is almost non-existent
- Quota for Northern Ontario should be considered
- Northern quota
- Northern Ontario
- Pro rata means the big get bigger

Expansion

- Local food (x3)
- Growth opportunities for the North (x2)
- Economic opportunity
- Regional development
- Need Northern Ontario regional production
- Need shared growth
- Achieve food security
- Tiered approach
- Would be nice to get some chicken farms in the North

Production Considerations

- New entrants and farm growth (x2)
- Increase new entrant numbers annually
- Young farmers
- Discourages small start-up
- Need separation of natural or pasture raised chickens
- Industrial focused
- Apply pro-rata to small flock operators
- Possibility to produce non-quota chicken

Concerns

- Small flock exemption level is too low (x2)
- Innovation gap
- Food security
- Barriers to entry excludes small farmers

2) Relating to Processor-Supply Allocation (P):

General Perceptions

- Processor infrastructure
- Economic opportunity
- Job creation
- Diversification
- Filling a need
- Processing local food
- Small business
- Smaller processors add more value to the community than larger ones

Market Related

- Consumer demand (x2)
- Abundance of different markets
- New market opportunities

Concerns

- Product diversity
- Processor capacity
- Regulatory compliance
- Financial requirements

Participants' Perceptions of Allocation of Chicken Growth

On ballots numbered from 1 to 30, participants indicated the number that they feel most accurately describes the current status of the allocation of chicken growth.

#30 = "Top of our Game": A well-coordinated, effective and appropriate approach that provides strong value to its stakeholder groups, including producers, processors and consumers

#1 = "Dead in the Water": An uncoordinated, ineffective and inappropriate approach that provides limited value to its stakeholder groups, including producers, processors and consumers

Participants' Perceptions of Farmer-Member Allocation of Chicken Growth (F)

30
29
28
27
26
25 **X**
24
23 **X**
22
21
20 **X X X X X**
19
18 **X X**
17 **X**
16
15 **X X X X X X**
14 **X**
13
12
11
10 **X X X X X X X X**
9
8 **X** **Average = 7.97**
7
6
5 **X X X X X X X X X**
4
3 **X X**
2 **X X X X**
1 **X X X X X X X X X X X X X X X X X X**

Scale: 30 = Top of our Game
1= Dead in the Water

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Participants' Perceptions of Processor Supply Allocation of Chicken Growth (P)

30
29
28
27
26
25 X X
24
23
22
21
20 X
19
18 X
17
16
15 X X X X
14
13
12 X X X X X
11
10 X X X X
9
8 X
7 X **Average = 6.92**
6
5 X X X X X X X X
4
3 X X X
2 X X
1 X X X X X X X X X X X X X X X X

Scale: 30 = Top of our Game
1= Dead in the Water

Desired Outcomes

Participants were asked, "When we look at our chicken industry in the future, how will we know that we "got it right" for the allocation of chicken growth?"

<u>Production Features</u>

F Northern Ontario farmers producing and processing a higher percentage of the chicken consumed in Northern Ontario (up from current 0.34%) (x3)
F Increased small flock exemption (x2)
F Genetic variety for producers
F Smaller quota minimums with an option for cooperatively owned quota

F Growing family farms producing pasture raised and natural birds
F Viable and sustainable farms capable of providing a living for producers
F Variety of production systems for chicken available
P Small flock operators allowed to process on-farm
P Licensed mobile processing available
P Processor capacity meets demands for producers and consumers
FP Long-term sustainability in the industry
FP When planes fly over Northern Ontario, passengers will see chicken barns and processors in each region based on population; in comparison, Saskatchewan has only 200,000 more people than Northern Ontario and has 70 chicken producers
FP Northern Ontario is self-sufficient in both chicken and chicken feed
FP A chicken system that discourages concentration in both production and processing, for flock health and product quality advantages

<u>Market Realities</u>

P Staggered and consistent chicken processing
FP Consumer is able to buy local chicken in local retailers, institutions and restaurants (x2)
FP Consumer choices for specialty products are met (x2)
FP Regional supply meets regional demand (x2)
FP Consumer demand is being met
FP Marketplace freedom
FP Flexible processes to allow new market opportunities
FP Niche products incorporated within smaller supply management system
FP Self-directed local marketing matched to production and processing
FP Thriving regional chicken market
FP Locally grown and processed poultry available to consumers in the local market
FP No interest in industrial chicken production, processing or exporting

<u>Stakeholder Relationships</u>

FP Northern regional economic development
FP A chicken development model (processing and production) designed specifically for Northern Ontario
FP Regional value chains for chicken (feed/inputs/producers/processors/stakeholders) are cooperating

<u>Sustained Growth</u>

F Expanded entry-level to encourage new farmers (x2)
F Growth in the number of chicken farmers (x2)
FP Continuous growth in the chicken market
FP Diverse number of farmers and processors across many areas

What positives exist for the allocation of growth in the chicken market in Ontario?

System Characteristics

F Supports existing farmers
F Ontario New Chicken Farmers Entrant Policy
P Supports existing processors
FP Northern Ontario has been included in this consultation process (x3)
FP Supports Southern Ontario through infrastructure and asset value (x3)
FP Growth shows there is demand for the product (x3)
FP Growth is potentially available to distribute in new ways
FP Desire for local food is increasing
FP Very organized system to effectively match cost, supply and demand in the industrial chicken market
FP Good balance in the current quota system between current producers and processors
FP Current system supplies Canadian chicken as opposed to imported product
FP Industry is open-minded, demonstrated by the fact these consultations are being held
FP A stable industry in Ontario
FP Economically predictable system
FP System builds efficiency
FP The fact that there is quota to allot
FP Consumers like the product
FP Positive human nutrition aspect of chicken

Production

F Small flock 300 bird exemption is allowed (x2)
F Producers who took the risk in the past to borrow and invest in the chicken industry are currently being rewarded
F On-farm and farmers' markets sales are allowed
F Growth is good for the existing farmer
F Growth encourages diversification
P Local abattoirs are allowed to process birds
FP Current system monitors health status
FP Concern for animal welfare is reflected in the production system
FP Northern Ontario has the capacity to handle environmental impacts
FP Room for more Ontario chicken production
FP Reinvestment in technology

Marketing

P Food security
FP Provides a consistent reliable supply for the consumer
FP Consumers can buy chicken at a reasonable price compared to other areas
FP Growth within Ontario eliminates the need for importing chicken from elsewhere

What challenges exist for the allocation of growth in the chicken market in Ontario?

System Characteristics
FP Concentration of power (x2)
FP Favours population dense areas of Ontario (x2)
FP Limits Northern Ontario growth (x2)
FP Regional development is not part of the plan for the system
FP Limited external influence on the system
FP Does not support long-term sustainability
FP Feeling of entitlement by some stakeholders
FP New allocation risks being status quo
FP Continued industrialization that affects quality and consumer satisfaction

Production
F Minimum entry level is not economically feasible for small farmers (x4)
F Barriers to entry, including front-loading of debt (x4)
F Restricts the growth for small flocks, since there is too large a jump from the exemption level to minimum quota entry (x4)
F No succession plan to replace the producers who are retiring from the industry (x2)
F Big producers grow faster, small stay the same or get out of the industry (x2)
F The “go big or go home” philosophy of producing chicken
F Cost of quota is prohibitive
F Only two new entrants annually in Ontario
F No opportunity for seasonal quota, relating to high cost of winter production
F Modulating regulations for different size of farms
F Does not promote niche market production, e.g. organic, free range
F Lack of education or training courses
F Reduced genetic variety
P Inadequate processing capacity
P Access to local processing capacity where it exists
P Restricts consistent processing for abattoirs
P System is designed for Southern Ontario due to processing infrastructure
P Distance between production and processing
P Transportation is limited by the highway systems which can be unreliable
FP Lack of flexibility to accommodate alternative production systems, e.g. cooperative quota ownership (x2)
FP Potentially limits growth in Northern Ontario
FP Transportation costs

Marketing

F Small flock farmers cannot promote or market their own chicken
F Marketing is too restrictive for production under quota exemption level
FP Consumer demand for niche products (local/organic/pastured/heritage) not being met (x2)
FP Small flock producers cannot sell at farmers' markets or to local stores, institutions or restaurants (x2)
FP Imposed market barriers
FP Difficulty in Northern Ontario to consume local chicken
FP Niche markets are included in current pro rata system
FP Marketing quality
FP Unable to meet local demand for naturally raised, local chicken
FP Limits ability to grow and develop a new market

Stakeholder Relationships

F Lack of Northern Ontario representation at Chicken Farmers of Ontario
FP Disproportionate representation of producers that govern supply management
FP Lack of respect for regional consumer

What are the implications or consequences, if any, of maintaining current policies for the allocation of future growth to producers and processors?

Farmer-Member Allocation (F)

- Missed opportunity to fulfill niche market demand and encourage growth of small family farms and local economic development (x6)
- Growing discontent of consumers, processors and producers in Northern Ontario could lead to the unauthorized production of chickens to meet niche market demand (x3)
- Production clustered in small geographic areas poses a greater impact if there is a disease outbreak
- Small flocks may disappear with no incentive to grow

Processor Supply Allocation (P)

- Limited or no development of niche or alternative markets (x2)
- Local food supply will lack poultry (x2)
- Demand for local and specialty chicken continues to be inadequately met
- Consumers will demand changes due to lack of product choice
- Missed opportunities to join a growing market
- Does not support Northern Ontario abattoirs that are licensed to process poultry

<u>Both Growth Allocation Systems (FP)</u>

- Lack of rural and Northern economic development opportunities (x4)
- Slow growth in the chicken industry (x2)
- Northern Ontario is left “out in the cold” (x2)
- Forced food insecurity in Northwestern Ontario; without a local alternative, we import 99.6% of our consumed poultry, some from out of province
- Production and processing assets grow only the Southern Ontario economy
- Prior to the consultation, 85% of growth has been assigned and the concentration in Southern Ontario will grow
- Benefits to the industry of our remote location will be ignored
- Consumer backlash regarding animal welfare and food safety in the present system
- Food security and quality issues
- Chicken industry could be compromised if the status quo remains
- Variation of regulations between provinces will continue
- Retail food chains will continue to supply Northwest Ontario with Manitoba chicken
- Inaction promotes imbalance between pro rata and per capita for distribution of growth
- Not much may happen as a result of these consultations but in Northern Ontario we would like “a piece of the chicken pie”

Key Objectives

After considerable discussion, the Ontario Chicken Industry Advisory Committee has identified some objectives relating to the allocation of growth to farmers and processors in the chicken market in Ontario:

1) Evolve the allocation systems of both farmers and processors to improve the flexibility and responsiveness in capitalizing on growth opportunities in the chicken market place
2) Create value by serving the needs of growing and emerging markets
3) Encourage innovation, new business-building ideas
4) Serve the needs of existing markets taking into consideration their size, importance and historical investment
5) Develop a system that is predictable and stable that aligns the interests of key stakeholders in the chicken industry
6) Encourage quality, efficiency and value creation

The participants prioritized these objectives using the following method:
Each participant was given 100 points. They were asked to allocate their points to a number of objectives to show their relative importance. They based their allocation on where action would have the most positive impact on the allocation of growth to farmers and processors in the chicken market in Ontario. Each participant allocated a score between 0 and 40 for each objective.

Rank	Objective Number	Objective	Total Score
1st	2	Create Value Serving Growing and Emerging Markets	1710
2nd	1	Evolve the Allocation System of Farmers and Processors	1655
3rd	3	Encourage Innovation, New Business-Building Ideas	1560
4th	6	Encourage Quality, Efficiency and Value Creation	750
5th	4	Serve Existing Markets	455
6th	5	Develop a Predictable and Stable System	410

Action Planning

Participants were encouraged to identify actions that will have a positive impact on the allocation of future growth in the chicken industry. They spent some time diverging or sharing a range of ideas for action and then some time converging or focusing in on which of those actions they felt would be most effective.

Participants were encouraged to answer the following questions relating to each allocation action:

To Whom?
Why?
How?
When?
Objectives? Identify which one or more of the six objectives that this action will help the chicken industry in Ontario achieve.

Farmer-Member Allocation or Processor Supply Allocation? Participants focused on farmer-member allocation for the first part of this session and then focused on processor supply allocation for the second part of the session.

Participants' Suggested Actions

Their suggested actions were sorted by "To Whom" the market growth should be allocated. Any of the supporting information (Why? How? When? Objectives?) that participants provided was also noted. The participants prioritized their actions based on the "To Whom" titles using the following method:
Each participant was given 100 points. They were asked to allocate their points to whom the allocation of growth to farmers would have the most positive impact on the chicken market in Ontario. Each participant allocated a score between 0 and 100 for each action.

Rank	Farmer-Member Allocation of Growth (To Whom)	Total Score
1st	Small Flocks (Non-Quota Holders)	1970
2nd	Northern Ontario Farmers	1405
3rd	Producers Based On Their Regional Location	1090
4th	New Entrants	705
5th	Cooperative Groups	435
6th	First Nations	225

Any supporting information that the location discussion groups provided on farmer-member allocation of growth is noted below. Information can be found under the "To Whom" title where it fits most appropriately. The supporting information is provided in the same order as the ranking in the table above. Whenever two or more of the seven locations offered the same or very similar target group they are noted with an "x" and the number, i.e. (x3).

1. Small Flocks (Non-Quota Holders)

1.1
To Whom? Small flocks (x4)
Why? Allows diversification and filling of niche markets; levels the playing field; serves robust market that meets consumer demands; allows direct marketing by small flock growers; increases the producer base; adds flexibility compared to existing stakeholders; innovative; balances the "top heavy" aspect of the current system
How? Redesign the allocation model. Potential changes might include: allocate quota in a two-tier system with no minimum; allow quota to be transferred; allow self-marketing with no restrictions; increase the small flock exemption level substantially
When? As soon as possible
Objectives? 1, 2, 3

1.2
To Whom? Small flocks that require specific allowances
Why? Certain production systems may require different marketing regulations and quota options reflecting the challenges of living in a northern environment where producing chicken is prohibitive in the winter; allows Northern Ontario chicken production to be sustainable; recognizes the unique challenges of climate and geography
How? Provide seasonal quota option
When? Immediately
Objectives? 2, 3

1.3
To Whom? Small flock producers aspiring to be quota holders
Why? Improves the potential of producers transitioning from small flock to quota holding
How? Increase the quota exemption to 4000 and reduce minimum quota holding to 5000
When? When growth allocations are available
Objectives? 1

2. Northern Ontario Farmers (x5)

2.1
To Whom? Farmers in Northern Ontario
Why? Appeals to consumers' desire for local food; supports local producers and Northern Ontario economy; niche markets do not aggressively compete with traditional markets; allows consideration of Northern Ontario conditions
How? Develop an orderly business plan for the area; accept business proposal from interested producers; allocate as much as 5% to 8% of the Ontario growth for Northern Ontario with the remainder of the growth being allocated to existing quota holders; reduced marketing barriers so local chicken can be sold through stores, institutions and restaurants; some quota could be allocated on a seasonal basis; extend the small flock exemption to a higher level
When? As soon as possible
Objective? 1, 2, 3

3. Producers Based On Their Regional Location

3.1
To Whom? Producers within specific geographic regions
Why? Align production with processor, population and market opportunities
How? Acccept business proposal applications from producers in different regions; allocate growth based on specific criteria; could include seasonal and year-round quota production; increase small flock exemptions
When? As soon as possible
Objectives? 1, 3

4. New Entrants

4.1

To Whom? New entrants into the business

Why? Reduces the barriers to entry that exist in the current system; encourages young innovative producers to help keep the industry viable; provides an opportunity to meet the needs of local customers

How? Provide quota by a mechanism of reduced cost or other means of preferential treatment for new entrants; expand current Ontario New Chicken Farmers' Entrant Policy

When? Immediately

Objectives? 2, 3

5. Cooperative Groups

5.1

To Whom? Cooperative groups of interested producers

Why? Cooperatives could provide a valuable service in building capacity and creating markets, enhancing and allocating production, etc.

How? Accept applications and allocate growth; cooperative would become responsible for meeting the production obligations

When? Within one year

Objective? 1, 3

6. First Nations

6.1

To Whom? First Nations producers

Why? Helps provide food security, strong nutrition and job creation; capacity may exist with land resources, interest, organization and funding

How? Allocate growth to specific First Nations individuals or groups with strong potential

When? Per quota period

Objectives? 1, 2, 3

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1st	Northern Processors	1595
2nd	Non-Quota Processors	1385
3rd	New Processors	510
4th	Mobile Processors	425
5th	All Existing "Class A" Processors	290
6th	Producers Processing On-Farm	195
7th	Cooperatives	190
8th	First Nations	85

Due to time limitations at the consultation, the participants were able to identify and prioritize several target groups of processors but did not have an opportunity to discuss and record supporting information.

The workshop was a productive event, where the participants were very engaged. Through their valued input, participants took an important step in their quest for the effective allocation of growth to farmers and processors in the chicken market in Ontario.